

The Office of Gas and Electricity Markets  
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Sent via email to: [WMReform@ofgem.gov.uk](mailto:WMReform@ofgem.gov.uk)

24 June 2022

Dear Sir/Madam,

We thank you for this opportunity to respond to your Call for Input on Locational Pricing Assessment, dated 1 June 2022. Whilst we have not directly answered your Call for Input questions, we trust you will find this initial sharing of members' views to be of value.

This response is written on behalf of the following ENA member organisations: the Distribution Services Providers (as defined in the electricity distribution licence) known as Distribution Network Operators ("DNOs") and the Transmission Owners ("TOs").

#### Scope and ENA involvement

We would emphasise the importance of ENA members' continued engagement on your future work on wholesale market design, the ramifications of which is anticipated to have a significant impact on policy, systems, and processes. We would also appreciate clarity on the assessment scope, as well as understanding of the interdependencies with wider programmes, including DUoS and TNUoS reforms.

We are expecting a short list of options on the DUoS SCR reform later this year. It will be crucial that these programmes are not developed in isolation and that timing of key decisions are aligned. We note the impact more granular locational wholesale pricing could have on the effectiveness of locationally granular DUoS charges in providing effective signals to customers as to their use of the networks.

Early sight of the locational pricing principles, including the proposed structure of the impact assessment will be important. The programme should also consider other ways of creating locational signals, without the need for introducing granular nodal pricing. Indeed, DNOs are already working to expand flexibility markets which could be a route for wholesale and distributional network price signals. For example, trials are underway with suppliers to test the approach to signalling distribution network impact on consumer tariffs, via:

- Time of use DUoS
- Capacity based DUoS pricing
- LV Flexibility procurement.

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The aim being to provide focused tariffs at areas of the network where there are constraints and users can help alleviate issues. The UK Power Networks innovation Shift project<sup>1</sup> is an example of this.

#### Implementation Considerations

If granular locational pricing introduces a change of trading boundary (currently between transmission and distribution networks), it will have transformational impact on existing loss calculations, final metering schemes and numerous industry data flows. Further, a move away from existing zonal (DNO licence areas) will require fundamental reform of industry systems to identify and allocate MPANs (or their replacement) by location. DNO involvement will therefore be crucial in understanding the practical implications and their cost impacts.

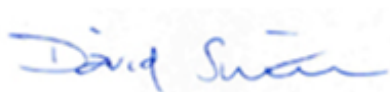
Scoping and implementing these changes alongside the acceleration of Market Wide Half Hourly Settlement reform will be very challenging, and the timescales for delivery will need to reflect this.

#### Conclusions

We would ask that Ofgem make clear its purpose for taking forward this work. The issues it is seeking to resolve. The primary objectives, whether this be fairer recovery of costs, improved influencing of consumer behaviours, etc.

Please do not hesitate to contact Paul McGimpsey, ENA Director Markets & Regulation with any questions relating to this response [paul.mcgimpsey@energynetworks.org](mailto:paul.mcgimpsey@energynetworks.org)

Yours faithfully

A handwritten signature in blue ink, appearing to read 'David Smith', is shown above the printed name.

David Smith  
**CEO Energy Networks Association**

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<sup>1</sup> <https://innovation.ukpowernetworks.co.uk/projects/shift/>